

JONESVILLE DISTRICT LIBRARY

AUDIT REPORT

DECEMBER 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Jonesville District Public Library	County Hillsdale
Audit Date 12/31/04	Opinion Date 8/10/05	Date Accountant Report Submitted to State: 9/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations

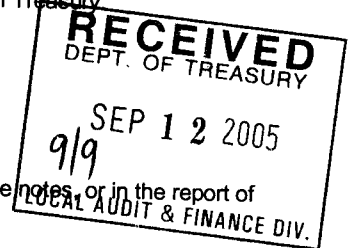
You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Bailey, Hodshire & Company, P.C.			
Street Address 479 E. Chicago Road		City Jonesville	State MI
Accountant Signature <i>Bailey, Hodshire & Company, P.C.</i>		ZIP 49250	Date 9/7/05



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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Jonesville District Library
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jonesville District Library, Hillsdale County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Jonesville District Library as of December 31, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in the Notes, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

The management's discussion and analysis and budgetary information comparison information on pages 2 through 4 and page 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company, PC

Jonesville, Michigan

August 10, 2005

Jonesville District Library

Management's Discussion and Analysis Year Ended December 31, 2004

New Financial Reporting

Starting with fiscal year 2004, the Jonesville District Library, (the "Library") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Library's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2004 from the point of view of the Library's administration. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

Comparative analysis will be provided in future years and it is not required in the first year of implementation of GASB Statement No. 34.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2004:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,109,098 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$19,880 as a result of current year activity at the government-wide level. This decrease is primarily due to depreciation expense charged to the current period.
- Total governmental fund balance increased by \$38,121 in the current year at the fund level.
- \$2,986 was spent on an automation project for the Library.

Using this Annual Report

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

Jonesville District Library

Management's Discussion and Analysis Year Ended December 31, 2004

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The following table shows, in a condensed format, the net assets as of December 31, 2004 and the changes in the net assets during the current year. A comparative analysis of data will be presented in future years when the information is available.

Current Assets	\$ 276,927
Capital Assets, Net	<u>834,518</u>
Total Assets	<u>\$1,111,445</u>
Liabilities	<u>\$ 2,347</u>
Net Assets	
Invested in Capital Assets	\$ 834,518
Restricted	0
Unrestricted	<u>274,580</u>
Total Net Assets	<u>\$1,109,098</u>
Revenue	\$ 165,004
Expenses - Library Services	<u>(184,884)</u>
Change in Net Assets	<u>\$ (19,880)</u>

The Library's total net assets were \$1,109,098 at December 31, 2004. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$274,580 at the end of the fiscal year. The net assets invested in capital assets were \$834,518.

Governmental Activities

The Library's governmental revenues totaled \$165,004 with the greatest revenue source being the tax levy. The levy makes up approximately 61 percent of total governmental revenue.

The Library incurred expenses of \$184,884 during the year. The majority of governmental expense is associated with depreciation and the staffing of the Library, which provides all library services. Depreciation represents 51 percent of the Library's total expenses and wages represent 27 percent.

The Library's Funds

The Library's major fund consists solely of the General Fund. An analysis of the General Fund can be found in the first column on pages 6 and 7. The fund column provides detailed information about the most significant fund, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The Library did not have any nonmajor funds for the fiscal year ended December 31, 2004.

Jonesville District Library

Management's Discussion and Analysis Year Ended December 31, 2004

The General Fund pays for all of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$52,833 for the fiscal year.

Library Budgetary Highlights

The most significant amendments occurred because implementing the automation process required extra employee hours; the final expenses to wrap up construction costs were paid; pursuant to announced improvements while seeking Millage to expand library services, hours of operation were increased resulting in higher payroll expenses, and significantly more purchases of books made to meet patrons' needs.

Capital Assets

At the end of the fiscal year, the Library had \$834,518 invested in a range of capital assets, including buildings, land, and materials (net of depreciation). The Library added \$13,740 in new capital assets during the current year. The Library did not dispose of any capital assets during this fiscal year.

Factors bearing on the Library's future

As we face the possibility of decreased state aid funds and loss of penal fines, we could risk losing the capability to remain in partnership with the Woodlands Co-op, a liaison which greatly enhances the scope of service available to our patrons. Further, funding losses would likely require a reduction in staffing as well as reduction in service hours. Additionally, with the ever-changing face of technology and public demand to remain provided with up-to-date equipment, patrons' needs will undoubtedly require the library to continue to upgrade the quantity and quality of technological resources made available for their use.

Optimal long-range plans include remaining in a position to maintain hours of operation as they are currently set, without reduction in staff or materials. We intend to make every effort to address the demands of the patrons we serve for services in print and in technology as completely as resources allow. We will continue to work toward building a partnership with our community and schools.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Jonesville District Library Board of Directors.

JONESVILLE DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
ASSETS					
Cash and Cash Equivalents	\$ 183,059	\$ 0	\$ 183,059	\$ 0	\$ 183,059
Accounts Receivable	93,868	0	93,868	0	93,868
Fixed Assets, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>834,518</u>	<u>834,518</u>
Total Assets	<u>\$ 276,927</u>	<u>\$ 0</u>	<u>\$ 276,927</u>	<u>\$ 834,518</u>	<u>\$ 1,111,445</u>
LIABILITIES					
Accounts Payable	\$ 1,085	\$ 0	\$ 1,085	\$ 0	\$ 1,085
Payroll Taxes Payable	<u>1,262</u>	<u>0</u>	<u>1,262</u>	<u>0</u>	<u>1,262</u>
Total Liabilities	<u>\$ 2,347</u>	<u>\$ 0</u>	<u>\$ 2,347</u>	<u>\$ 0</u>	<u>\$ 2,347</u>
FUND BALANCE/NET ASSETS					
Fund Balance					
Unreserved/Undesignated	\$ 274,580	\$ 0	\$ 274,580	\$ (274,580)	\$ 0
Total Fund Balance	<u>\$ 274,580</u>	<u>\$ 0</u>	<u>\$ 274,580</u>	<u>\$ (274,580)</u>	<u>\$ 0</u>
Total Liabilities and Fund Balance	<u>\$ 276,927</u>	<u>\$ 0</u>	<u>\$ 276,927</u>		
Net Assets					
Invested in Capital Assets - Net of Related Debt				\$ 834,518	\$ 834,518
Restricted				0	0
Unrestricted				<u>274,580</u>	<u>274,580</u>
Total Net Assets				<u>\$1,109,098</u>	<u>\$1,109,098</u>
Total Liabilities and Net Assets					<u>\$1,111,445</u>

The accompanying notes are an integral part of this statement.

JONESVILLE DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
DECEMBER 31, 2004

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
REVENUE					
State Aid	\$ 2,576	\$ 0	\$ 2,576	\$ 0	\$ 2,576
Penal Fines	26,387	0	26,387	0	26,387
Fayette Township Millage	101,005	0	101,005	0	101,005
Municipal Contributions	600	0	600	0	600
Interest on Investments	4,375	1	4,376	0	4,376
Gifts & Memorials	28,225	0	28,225	0	28,225
Fines, Fees and Other	<u>1,835</u>	<u>0</u>	<u>1,835</u>	<u>0</u>	<u>1,835</u>
Total Revenue	<u>\$ 165,003</u>	<u>\$ 1</u>	<u>\$ 165,004</u>	<u>\$ 0</u>	<u>\$ 165,004</u>
EXPENDITURES					
Wages	\$ 49,398	\$ 0	\$ 49,398	\$ 0	\$ 49,398
Payroll Tax Expense	3,435	0	3,435	0	3,435
Insurance	2,106	0	2,106	0	2,106
Electric	2,551	0	2,551	0	2,551
Telephone	997	0	997	0	997
Heat	1,677	0	1,677	0	1,677
Water, Sewer & Garbage	773	0	773	0	773
Dues & Memberships	775	0	775	0	775
Books & Videos	11,717	0	11,717	0	11,717
Periodicals	918	0	918	0	918
Supplies	7,510	0	7,510	0	7,510
Maintenance	3,241	0	3,241	0	3,241
Miscellaneous	903	10	913	0	913
Professional Fees	1,100	0	1,100	0	1,100
Automation	2,986	0	2,986	0	2,986
Capital Outlay	12,451	1,289	13,740	(13,740)	0
Interest Expense	46	0	46	0	46
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,741</u>	<u>94,741</u>
Total Expenditures	<u>\$ 102,584</u>	<u>\$ 1,299</u>	<u>\$ 103,883</u>	<u>\$ 81,001</u>	<u>\$ 184,884</u>
Excess of Revenue Over (Under)					
Expenditures/Change in Net Assets	<u>\$ 62,419</u>	<u>\$ (1,298)</u>	<u>\$ 61,121</u>	<u>\$ (81,001)</u>	<u>\$ (19,880)</u>
Other Financing Sources:					
Operating Transfers in	<u>\$ 21,807</u>	<u>\$ 20,625</u>	<u>\$ 42,432</u>	<u>\$ (42,432)</u>	<u>\$ 0</u>
Other Financing Uses:					
Operating Transfers Out	<u>\$ (20,625)</u>	<u>\$ (21,807)</u>	<u>\$ (42,432)</u>	<u>\$ 42,432</u>	<u>\$ 0</u>
Payment on Bank Loan	<u>(23,000)</u>	<u>0</u>	<u>(23,000)</u>	<u>23,000</u>	<u>0</u>
Total Other Financing Uses	<u>\$ (43,625)</u>	<u>\$ (21,807)</u>	<u>\$ (65,432)</u>	<u>\$ 65,432</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

JONESVILLE DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
DECEMBER 31, 2004
(continued)

Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 40,601	\$ (2,480)	\$ 38,121	\$ (58,001)	\$ (19,880)
Fund Balance/Net Assets - January 1	<u>233,979</u>	<u>2,480</u>	<u>236,459</u>	<u>892,519</u>	<u>1,128,978</u>
Fund Balance/Net Assets - December 31	<u>\$ 274,580</u>	<u>\$ 0</u>	<u>\$ 274,580</u>	<u>\$ 834,518</u>	<u>\$1,109,098</u>

The accompanying notes are an integral part of this statement.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Jonesville District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The Library has implemented the provision of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

Financial Reporting Entity

The Jonesville District Library is located in the Village of Jonesville, Hillsdale County, Michigan, and is governed by a five member board. The financial support is provided primarily through a 1 mill tax levy for library operations, Hillsdale County penal fines, and additional support from municipal contributions of the State of Michigan (State Aid), and the Townships of Scipio and Moscow, as well as charitable donations and memorials. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. Based on these criteria, there are no component units to be included in these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes and municipal contributions are susceptible to accrual. All other revenue items are considered to be available only when the cash is received by the Library.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Library reports the following major governmental fund: the General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Library maintains a capitalization threshold of \$1,000.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	39 years
Furniture and Fixtures	7 years
Library books, periodicals, etc.	7 years
Computer equipment	5 years

Change in Accounting - During the current year, the Library adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As a result, these financial statements include a full accrual accounting for all of the Library's activities. GASB Statement No. 34 also requires fixed assets to be recorded with related depreciation.

Budgets, Budgetary Accounting and Budget Basis of Accounting - Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Library uses the same basis of accounting for budgeting purposes as for financial statement presentation.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Jonesville District Library.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Library Board at the line-item level. Any budgetary modifications may only be made by resolution of the Library Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to December 31, a public hearing is conducted on the proposed budget to obtain taxpayer comments.
- 2) Prior to December 31, the budget is legally enacted through passage of a resolution.
- 3) The Library Board is authorized to transfer budgeted amounts between line items.
- 4) During the year the budget is monitored, and amendments to are made when necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

<u>Description</u>	<u>Amount of</u>		
	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Operating transfers out	\$ 0	\$ 20,625	\$ 20,625
Payment on bank loan	0	23,000	23,000

NOTE 3 - CASH AND INVESTMENTS

Following are the components of the Library's bank deposits at December 31, 2004:

Petty Cash	\$ 179
Commercial Accounts	3,526
Savings and Certificates of Deposit	<u>179,354</u>
Total	<u>\$ 183,059</u>

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2004, the carrying amount of the Library's deposits was \$183,059 and the bank balance was \$186,048. The entire amount was covered by federal depository insurance.

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of December 31, 2004, the Library's deposits and investments are in accordance with statutory authority.

**JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2004, was as follows:

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Land and Improvements	\$ 6,009	\$ 0	\$ 0	\$ 6,009
Building and Improvements	454,940	4,433	0	459,373
Books, Audios, Videos	545,178	0	0	545,178
Furniture and Fixtures	63,205	9,307	0	72,512
Total Capital Assets	\$ 1,069,332	\$ 13,740	\$ 0	\$ 1,083,072
Less: Accum. Depreciation	(153,813)	(94,741)	0	(248,554)
Net Capital Assets	<u>\$ 915,519</u>	<u>\$ (81,001)</u>	<u>\$ 0</u>	<u>\$ 834,518</u>

Depreciation expense for the fiscal year ended December 31, 2004 was \$94,741.

NOTE 5 - PROPERTY TAXES

On May 4, 1999, the electors of Fayette Township approved a maximum 1 mill tax levy for library operations. The taxes are collected by the Fayette Township Treasurer each year from December 1 through March 1. The delinquent taxes (real property) are turned over to the County Treasurer for collection. The total library levy on the December 1, 2004, Fayette Township tax roll was \$101,005.

NOTE 6 - UNEMPLOYMENT TAXES

The Library is a reimbursing employer to the Michigan Employment Security Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of December 31, appropriate liabilities (if any) have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, physical damage (equipment, buildings, and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverage's and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 8 - CONCENTRATIONS

The Library receives a major portion of its revenue from the County of Hillsdale in the form of allocated penal fines. Reduction or elimination of this funding, if this were to occur, would have a significant effect on the organization's programs and activities.

NOTE 9 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 9 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 274,580
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	<u>834,518</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$1,109,098</u>
Net Change in Fund Balances - Modified Accrual Basis	<u>\$ 38,121</u>
Amounts reported in the statement of net activities are different because:	
Capital outlay is not an expense of the current period	13,740
Payments on long term debt are not an expense of the current period	23,000
Capital costs are allocated over their estimated useful lives as depreciation	<u>(94,741)</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ (19,880)</u>

NOTE 10 - RESTATEMENTS

As of and for the year ended December 31, 2004, the Library implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Disclosures*

Interpretations

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended December 31, 2004, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balances as of December 31, 2003	\$ 236,459
Add: capital assets, including land and buildings as of December 31, 2003	1,069,332
Deduct: accumulated depreciation as of December 31, 2003, on the above assets	(153,813)
Note payable as of December 31, 2003	<u>(23,000)</u>
General Fund net assets, restated, as of December 31, 2003	<u>\$ 1,128,978</u>

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2004, the Library changed to the accrual basis of accounting from the cash basis of accounting. The change was made to comply with the new governmental accounting standards. This change necessitated the restatement of opening balances for accounts receivable, accounts payable, and fund balance. The net change to beginning fund balance was an increase of \$96,212.

JONESVILLE DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Fund Balance - January 1	\$ 233,979	\$ 233,979	\$ 233,979	\$ 0
Resources (Inflows)				
State Aid	0	0	2,576	2,576
Penal Fines	12,000	12,000	26,387	14,387
Fayette Township Millage	81,000	81,000	101,005	20,005
Municipal Contributions	600	600	600	0
Interest on Investments	1,000	1,000	4,375	3,375
Gifts & Memorials	23,000	23,000	28,225	5,225
Fines, Fees and Other	0	0	1,835	1,835
Operating Transfers In	0	0	21,807	21,807
Amounts Available for Appropriation	<u>\$ 351,579</u>	<u>\$ 351,579</u>	<u>\$ 420,789</u>	<u>\$ 69,210</u>
Charges to Appropriations (Outflows)				
Wages	\$ 44,000	\$ 49,500	\$ 49,398	\$ (102)
Payroll Taxes	3,400	3,850	3,435	(415)
Insurance	3,300	2,500	2,106	(394)
Electric	2,600	2,600	2,551	(49)
Telephone	1,000	1,100	997	(103)
Heat	2,000	2,000	1,677	(323)
Water, Sewer, & Garbage	1,000	1,000	773	(227)
Dues & Memberships	2,000	2,750	775	(1,975)
Books/Videos	8,000	12,000	11,717	(283)
Periodicals	1,000	1,000	918	(82)
Supplies	1,500	7,600	7,510	(90)
Maintenance	3,500	5,100	3,241	(1,859)
Miscellaneous	950	1,800	903	(897)
Professional Fees	1,100	1,100	1,100	0
Automation	4,000	3,250	2,986	(264)
Capital Outlay	32,000	45,000	12,451	(32,549)
Interest Expense	0	50	46	(4)
Operating Transfers Out	0	0	20,625	20,625
Payment on Bank Loan	0	0	23,000	23,000
Total Charges to Appropriations	<u>\$ 111,350</u>	<u>\$ 142,200</u>	<u>\$ 146,209</u>	<u>\$ 4,009</u>
Fund Balance - December 31	<u>\$ 240,229</u>	<u>\$ 209,379</u>	<u>\$ 274,580</u>	<u>\$ 65,201</u>

The accompanying notes are an integral part of this statement.